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THE U.S. ECONOMY AND THE MONEY SUPPLY

ANNCR:

THE U.S. ECONOMIC RECOVERY IS ONE-YEAR OLD, AND SHOWING SIGNS OF CONTINUING. THE NATION'S MONEY SUPPLY IS A VITAL FACTOR IN THIS ECONOMIC GROWTH, AND VOA BUSINESS EDITOR FRANK FEINBERG EXAMINES THE NEW MOVES BY THE FEDERAL RESERVE BOARD:

VOICE:

THE STRATEGY OF THE FORD ADMINISTRATION AND THE FEDERAL RESERVE BOARD -- AMERICA'S CENTRAL BANK -- HAS BEEN TO PROVIDE ONLY MODERATE MONETARY STIMULUS TO THE ECONOMY. AT THE SAME TIME THE ADMINISTRATION HAS AVOIDED LARGE-SCALE GOVERNMENT SPENDING PROGRAMS TO INCREASE EMPLOYMENT. IN THE PAST DECADE, THEY SOMETIMES HAVE STOPPED RATHER ABRUPTLY, AS THE THREAT OF AN OVERHEATED ECONOMY DEVELOPED.

IN THE PAST YEAR FEDERAL SPENDING DID RISE ABOUT TWELVE PER CENT, DESPITE PRESIDENT FORD'S VETO OF SOME FORTY BILLS WHICH WOULD HAVE FURTHER INCREASED OUTLAYS. MUCH OF THE RISE IN THE FEDERAL BUDGET WAS INDUCED BY THE RECESSION, IN LARGELY ABATED. EMPLOYMENT HAS RISEN BY TWO POINT SIX MILLION PERSONS FROM A YEAR AGO, WHILE INFLATION HAS DECLINED FROM MORE THAN SEVEN PER CENT TO LESS THAN FOUR PER CENT IN THIS YEAR'S FIRST QUARTER.

PRESIDENT FORD HAS REITERATED HIS POLICY OF SLOWING DOWN FEDERAL SPENDING, WHILE FEDERAL RESERVE BOARD CHAIRMAN ARTHUR BURNS PLEDGES MODERATE GROWTH IN THE MONEY SUPPLY. MISTER BURNS INFORMED THE SENATE BANKING COMMITTEE ON MONDAY

THAT THE FED WILL TIGHTEN UP SLIGHTLY THE GROWTH IN THE BASIC MONEY SUPPLY. THE NEW PROJECTED ANNUAL RATE OF GROWTH WILL VARY FROM FOUR POINT FIVE TO SEVEN PER CENT, DEPENDING ON NEEDS. THE MONEY SUPPLY LARGELY DETERMINES THE AVAILABILITY OF LOANS TO INDUSTRY AND INDIVIDUALS, AND INTEREST RATES. MISTER BURNS SAYS PRUDENT RESTRAINT IN MONEY SUPPLY IS NECESSARY, TO ENSURE THE ECONOMIC ADVANCE, WHILE CURBING INFLATION.

NOT EVERYONE AGREES WITH CHAIRMAN BURNS THAT THE PLANNED REDUCTION IN THE NATION'S MONEY SUPPLY IS LOGICAL. CHAIRMAN WILLIAM PROXHIRE OF THE SENATE BANKING COMMITTEE QUESTIONS WHETHER THE NEW LEVELS WOULD SUSTAIN THE RECOVERY. HE BELIEVES THAT RESTRICTING THE MONEY SUPPLY WOULD INCREASE INTEREST RATES, AND SLOW UP BUSINESS ACTIVITY. SENATOR PROXHIRE'S VIEW IS SHARED BY OTHER LEGISLATORS AND LIBERAL ECONOMISTS. THEY ARGUE FOR MORE EXPANSION OF MONEY AND CREDIT TO SUSTAIN THE RECOVERY'S MOMENTUM.

IT IS A CREDITABLE ACCOMPLISHMENT TO BALANCE THE NEED AND SUPPLY OF MONEY IN AN INDUSTRIALIZED ECONOMY, WHILE MAINTAINING A LOW INFLATION RATE. WEST GERMANY ENJOYED SINGULAR SUCCESS IN SEVERAL RECENT YEARS. AND JAPAN LIKEWISE ACCOMPLISHED THIS OBJECTIVE FOR A PERIOD PRIOR TO THE RECESSION. NOW, THE UNITED STATES APPARENTLY COULD BE AS FORTUNATE. HISTORY WILL JUDGE WHETHER THE MONEY SUPPLY COURSE OUTLINED BY THE FEDERAL RESERVE IS CORRECT.

FMF/JS/PY